

ABSREACT

The invention introduces financial risk management to producers by designing a semi-standard contract associated with generic product which, in turn, is based on root product. The invention focuses on the key elements of risk management, namely, financial instrument. The financial instrument has two components one is the product that may or may not be physical and the other is the contract related to the product. The system provides a methodology, for an industry sector, to extract root elements followed by generic product. A root product is defined as an element upon which all other (physical) products are developed. The process begins with building a sector's domain knowledge represented by tree. Root products will ideally be traded in a generalized hybrid trading platform designed to accommodate forward contracts. The platform provides risk management tools and integrates financial clearing and settlement.